



MEMORANDUM

October 8, 2004

TO: BOARD OF DIRECTORS

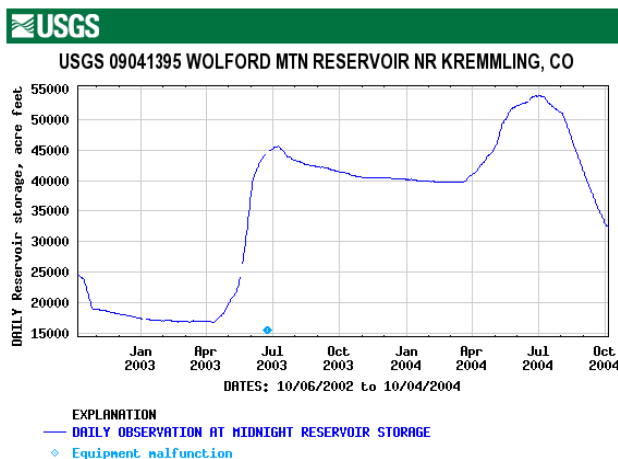
FROM: DAVID MERRITT

RE: WATER PROJECTS ENTERPRISE - WOLFORD MOUNTAIN RESERVOIR OPERATIONS

WOLFORD MOUNTAIN OPERATIONS-YEAR 2004

HYDROLOGIC CONDITIONS

This runoff year shaped up to be a poor year, with basin wide snowpack well below average. However, we still recovered a significant amount of storage at Wolford Mountain Reservoir, largely due to the Shoshone Powerplant being offline throughout April. Wolford Mountain Reservoir is currently at elevation 7461 MSL, 28 feet below full pool. We have approximately 32,000 acre feet in storage, and have been out of priority since late June. We definitely were one of the beneficiaries of the maintenance work at the Shoshone Hydropower Plant, having stored approximately 5,800 acre feet as a result of the plant being off-line. The total amount of storage or diversions permitted as a result of the plant maintenance was over 30,000 acre feet. Wolford Mountain Reservoir was very heavily exercised again this year year, with significant releases made for the Denver/Green Mountain Substitution, as well as water marketing contract releases and mitigation area releases. As the attached graph shows, we finished this fill season 9,000 acre feet above last years fill season, but will finish the operations season 13,000 acre feet below last years' low point.



Provisional Data Subject to Revision

The January 1st runoff forecast was for 100% of average, or 60,000 acre-feet in the April through July time period, the April 1st Forecast was for only 50%, and the June 1st Forecast was for 38%, or 23,000 acre feet. We actually saw 22,317 ac-feet of inflow in the April through July time frame, and were able to store 14,626 acre feet. Last years runoff was 38,200 acre feet, or 64% of average and we managed to store about 29,000 acre feet.

The major demands which we expect on Wolford will be significant this year. They will be:

- 1) **Denver Substitution:** Denver had almost 20,000 acre feet in its pools, and is calling upon 18,216 acre feet for substitution releases. By the time of the Board meeting, this will have been almost completely released, leaving approximately 1,500 acre feet in storage for Denver's use next year.
- 2) **Colorado Springs Substitution:** The Substitution Agreement is being treated as operational, while it winds its long way through final approval. CSU released 150 acre feet for the benefit of the Upper Blue last year, and will be purchasing 250 acre feet in 2003/2004 and 250 acre feet in 2004/2005 water years. This allowed CSU to divert, and placed a demand of 650 acre feet on the reservoir.
- 3) **Endangered Fish Pools:** In 2002 and in 2003, the Recovery Program received no water from the 5412 contract (due to drought provisions), and took no water from their 6,000 acre foot pool in 2003, preferring to keep it in storage for worse times. They currently have 4,555 acre feet in storage. Again, this year, the storage and inflow forecast at Wolford Mountain Reservoir were insufficient to provide water from the 5,412 contract. Drought provisions dictate that the water is not available unless the May 1st inflow forecast is greater than 28,000 acre feet **and** the June 1st storage is greater than 56,000 acre feet. The May 1st forecast was 28,000 acre feet, but the June 1st storage was only at 52,300 acre feet.
- 4) **Water Marketing Pool:** We released approximately 1,150 acre feet of water marketing contracts which could only be supplied from Wolford.
- 5) **Permitting/Operational Demands:** We released approximately 1200 acre feet for the wetlands mitigation area, as well as 1,600 acre feet for evaporation replacement.

When the year is done, we will most likely be down to 27,000 acre feet by November 1st. With approximately 40,000 acre feet needed to fill next year, it is unlikely that we will fill. If we do not fill in 2005, it will be the fifth year without filling; we nearly filled in 2001, but not quite. The five year average April through July inflow(2000 - 2004) has been 33,020, or 55% of the expected long term average of 60,000 acre feet. Additionally, the five year average storable inflow has been 21,940 acre feet, or 47% of the expected average storable inflow of 46,000 acre feet. We need a really good year to get back to below average.

	APRIL - JULY TOTAL	APRIL - JULY STORABLE
2000	54,707	41,850
2001	37,880	21,224
2002	12,000	3,012
2003	38,200	29,000
2004	22,317	14,626
AVERAGE	33,021	21,942

RECREATION AREA MANAGEMENT

Red Mountain RV Park have completed their third season of operating the campground, recreation area, and boat rental facility. The Miller's and their host camper staff have taken a great deal of pride in operating the area in a friendly manner. The campground was full most weekends from Independence Day to Labour Day, with weekdays running usually around ½ to 1/3 full. This has continued so far this year, with the 4th of July being quite full. The Millers expanded the boat rental fleet, and are pleased that the reservoir has recovered as much as it did this year, and stayed up as long as it did.

TAMARISK CONTROL

ECO-RX has completed the fall work on the Tamarisk control operation. This year's contract was for a two season operation, winter and fall. The greater extent of the infestation resulted in more expenditure than was anticipated. Additionally, the BLM and the contractor had noticed a Canada Thistle infestation on the shores of the reservoir, a situation which is also being addressed.

WATER MARKETING

We currently have 80 contracts for Colorado River water supplies either executed or moving through the process, totaling over 4187 acre feet. Nearly 1700 acre feet of these contracts could be served from our Ruedi Reservoir water supplies, and in fact were served this past year. The River District had designated 10,000 acre feet from the West Slope's 36,000 acre foot pool as available for water marketing on a long term basis. Our Colorado Springs Substitution agreement has resulted in setting aside a pool of 1,750 acre feet for this purpose, and has thus reduced the marketable yield by 1,250 acre feet (five acre feet of Woford dry year yield for each one acre foot of Upper Blue Reservoir every year yield). Our "short term" commitment of 5,412.5 acre feet to the Recovery Program is provided from this water marketing pool. However, the drought provisions in our contract with the US Fish and Wildlife Service allow us to "short" that delivery when the reservoir is below 56,000 acre feet on June 1st and the May 1st forecast is for less than 28,000. This situation unfortunately occurred again this past year, and there was no water released for this demand. However, I hope to be beyond that trigger next year, but it is not looking promising. It would take 30,000 acre feet of storable inflow next spring to reach that point.

We anticipate that the demand for Woford Mountain Reservoir water will remain strong, especially in light of the continuing uncertainty over Green Mountain Contracts. We have finalized our third contract for Ruedi Round II water, which brings our current Ruedi water supplies to 1,730 acre feet, and we are still working on the additional contract for 5,000 acre feet. Within our Colorado River Supply program, we have just about fully marketed our current contract amount from Ruedi, if we were to supply all uses below Glenwood Springs solely from Ruedi Reservoir.